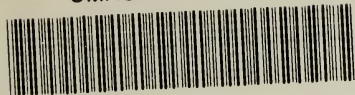


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THE Massachusetts Securities Division

GOVERNMENT DOCUMENTS
COLLECTION

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Secretary of the Commonwealth
Massachusetts Securities Division



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Massachusetts Securities Division

The Secretary of the Commonwealth, William Francis Galvin, is the constitutional officer who, through the Massachusetts Securities Division (also referred to as the “division” in this publication), is entrusted with the task of administering and enforcing Massachusetts General Law, Chapter 110A, the Uniform Securities Act (also referred to as the “Act”), and the regulations promulgated thereunder (the “Rules”). The Securities Division adopts and periodically updates the Rules to ensure that investors are adequately protected and that unreasonable burdens on legitimate capital raising activities are avoided. The Secretary appoints a Securities Director who supervises the day-to-day activities of the staff. The Securities Division includes the Corporate Finance Section, the Licensing Section and the Enforcement Section.

MISSION OF THE SECURITIES DIVISION

The primary mission of the Massachusetts Securities Division is investor protection. Consistent with that mission, the division works to ensure a free and competitive securities market in Massachusetts and to increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Massachusetts.

SECRETARY OF THE COMMONWEALTH

SECURITIES DIVISION

DIRECTOR

CORPORATE
FINANCE
SECTION

Reviews
documents
which offer
securities
for sale.

LICENSING
SECTION

Registers
those who
sell and
advise.

ENFORCEMENT
SECTION

Investigates
securities law
violations.

GENERAL
COUNSEL

Issues written
interpretive
opinions.

What Can the Securities Division Do For You?

- Review securities offering documents.
- Consult with small businesses about securities laws.
- Check status of persons offering or selling securities, including disciplinary history.
- Check status of persons giving investment advice, including disciplinary history.
- Investigate tips and complaints about alleged violations of law.
- Answer investor inquiries by telephone and/or in person.
- Render interpretative opinions.
- Make available copies of public records on securities offerings and registration status of investment professionals.
- Provide free investor education materials.

The Securities Division cannot eliminate the risks inherent in an investment. Investors are encouraged to contact their broker-dealer or investment adviser firm directly if they have any concerns with respect to the handling of their accounts. The division welcomes information and inquiries concerning alleged violations of the Act. Investors with such concerns should send the division a letter describing the nature of the concern, together with copies of any relevant documents. The Enforcement Section staff is available each day to speak with investors about their concerns. Finally, anonymous inquiries, both written and oral, are accepted. Depending on the circumstances surrounding an inquiry, the Securities Division may begin an investigation. If an investigation uncovers facts that

indicate a violation of the Act, the division may pursue administrative sanctions or injunctive relief through the Attorney General, and it may refer cases for criminal prosecution. Should you have information about an alleged violation, or if you wish to inquire about the activities of persons issuing or selling securities or giving investment advice, please contact:

William Francis Galvin
Secretary of the Commonwealth
Massachusetts Securities Division
One Ashburton Place, 17th Floor
Boston, MA 02108
Telephone: (617) 727-3548
Toll-free: (800) 269-5428
Fax: (617) 248-0177

Functions and Goals of the Securities Division

CORPORATE FINANCE SECTION

The Corporate Finance Section acts as the first line of defense against investor fraud and has a number of investor protection charges. These include:

- reviewing offering materials to ensure full and fair disclosure and readability;
- preventing offerings which by their terms would result in abuses of investors;
- assisting small business offerors; and
- educating investors.

Full and Fair Disclosure The Act makes it illegal to use an offering document which is incomplete in any material way or which contains false or misleading statements. A prospectus in a public offering and a private placement memorandum in an exempt transaction must contain all material information concerning the issuer's business, the securities being offered, and the use of the proceeds raised. The Corporate Finance Section reviews all applications to register public offerings and private placement filings to ensure that investors have access to full and fair disclosure in order to make an informed investment decision. The section also assists the issuers of securities in drafting offering documents which are more readable by people who are not investment professionals.

Tend to Work A Fraud The Act gives the Secretary the right to deny the registration of securities, an offering of which would tend to work a fraud upon investors in the Commonwealth. In accordance with this investor protection charge, the Securities Division has adopted Rules to ensure that the issuer and investor share in the result of the venture, that conflicts of interest are minimized and that promotional and offering expenses are not excessive. While registration of securities by the division does not constitute a recommendation to buy nor a guarantee of financial success, its aim is to protect investors against abusive securities offerings.

Small Business Offerings Small businesses may raise capital in the Commonwealth by filing a Small Company Offering Registration (SCOR) application. The SCOR procedure allows a small business to raise up to \$1 million a year (\$5 million in a SEC Regulation A offering) using disclosure statements that are less complex and costly than those associated with traditional public offerings. While maintaining its charge of investor protection, the Corporate Finance Section works with small businesses to allow them to raise capital in an inexpensive and efficient manner. Such efforts include scheduling pre-filing conferences to answer questions concerning the methods by which a small business can raise capital and how to complete the disclosure form required by SCOR.

Investor Education Materials and Outreach The Corporate Finance Section has produced several brochures and booklets to help investors educate themselves about various issues including mutual funds and sales of securities through bank branches.

LICENSING SECTION

The goal of broker-dealer and investment adviser registration is to ensure that individuals and firms dealing with investors in the Commonwealth meet certain minimum standards of conduct, education, and financial solvency. The Licensing Section reviews all applications for registration of broker-dealers, agents, investment advisers, and investment adviser representatives and performs inspections of broker-dealers and investment advisers to ensure compliance with the requirements of the Act and Rules. All individuals or firms offering or selling securities or giving investment advice within the Commonwealth must be registered unless an exemption is available. Registrants must submit to a thorough background investigation, pass examinations on general securities principles and state securities laws, and agree to meet certain record-keeping and disclosure requirements. The following criteria, among others, are considered in determining whether to approve an application for registration:

- financial solvency;
- performance on written examinations;
- conviction of a crime; and
- evidence of past inequitable or fraudulent business practices in the sale of securities.

The Licensing Section also answers questions from the public regarding the registration status and disciplinary history of broker-dealers, agents, investment advisers and investment adviser representatives and responds to inquiries concerning their activities.

ENFORCEMENT SECTION

The Enforcement Section seeks to prevent, detect, and redress violations of the Act and Rules. The Act provides for administrative sanctions to be imposed by the Securities Division. These sanctions include:

- denial, revocation, or suspension of broker-dealer, agent, investment adviser or investment adviser representative registration;
- cease and desist orders prohibiting or suspending the sale of securities;
- orders denying or revoking registration of securities; and
- orders revoking exemptions from securities registration.

The Enforcement Section investigates and litigates cases involving violations of the Act. When warranted, the Enforcement Section brings administrative proceedings to prevent future infractions and seeks redress for prior violations of the Act. Referrals for criminal prosecution are made by the Enforcement Section to local, state and federal law enforcement agencies.

*R*equests for Interpretive Opinions

The General Counsel of the Securities Division responds to public inquiries concerning interpretation of the Act and Rules, and issues written interpretative opinions to assist persons in complying with the law. The division's attorneys are available daily to answer questions of a legal nature from the public by telephone or on a walk-in basis.

*P*ublic Records Requests

The Securities Division provides information regarding the registration status and disciplinary history of broker-dealers, agents, investment advisers and investment adviser representatives. Information about certain securities offerings filed with the division is also available to the public. Copies of completed applications for securities registration or exemptions from registration, reports and other forms may be obtained through a public records request. Should you have any questions about whether a security is registered or whether a broker-dealer, agent, investment adviser or investment adviser representative is registered, contact the Securities Division at (617) 727-3548.

*A*dditional Information

The best way for investors to protect themselves against unnecessary risks is by informing themselves about investments and investment professionals, taking steps to avoid investment “scams” or “swindles”, determining their personal financial situation and needs, and setting realistic investment objectives. The Securities Division helps investors educate themselves by providing at no charge such publications as, “Investor Alert! How to Protect Your Money from Schemes, Scams, and Frauds”; “What You Should Know About Mutual Funds”; “10 Do’s and Don’ts for Investors”; and “Tips for Consumers on Mutual Funds Sold at Banks”. The Securities Division’s staff also speaks at investor education forums, answers questions from the public and distributes informational pamphlets.

Securities Regulators

You may also wish to contact the following:

U.S. Securities and Exchange Commission

450 5th Street, NW
Washington, DC 20549
Office of Consumer Affairs
(202) 942-7040
(800) 732-0330
TTD (202) 942-7065

Boston District Office

73 Tremont Street, Suite 600
Boston, MA 02108-3912
(617) 424-5900

North American Securities Administrators Association, Inc.*

One Massachusetts Ave., NW, Suite 310
Washington, DC 20001
(202) 737-0900

Boston Stock Exchange

One Boston Place
Boston, MA 02108
(617) 723-9500

National Association of Securities Dealers, Inc.

The Nasdaq Stock Market

1735 K Street, NW
Washington, DC 20006-1500
(301) 590-6500
Check-a-Broker Hotline: (800) 289-9999; 9:00 am-5:00pm

District 13

260 Franklin St., 20th Floor
Boston, MA
(617) 261-0800

**NASAA can provide you with information about the securities divisions in other states.*



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